

St. Petersburg University  
Graduate School of Management

Master in Management Program

# Changes in consumer behavior: embracing Generation Z in Russia

Master's Thesis by the 2<sup>nd</sup> year student

Concentration — MIM, Marketing

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## АННОТАЦИЯ

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Название	Особенности поведения потребителей поколения Z в России: изменение в модели поведения
Факультет	Высшая Школа Менеджмента
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Научный руководитель	К.э.н., доцент Смирнова Мария Михайловна
Описание цели, задач и основных результатов	<p>Целью диссертации является определение драйверов, влияющие на желание купить у поколения Z в России.</p> <p>Задачами диссертации являются анализ существующей литературы в сфере потребительского поведения и выявление пробелов, описание потребительского портрета поколения Миллениал и анализ драйверов, оказывающих наибольшее влияние на желание купить у поколения Z с целью определения их отличия от предшествующего поколения.</p> <p>Основными результатами работы являются: определение уровня влияния различных драйверов, выявление связей между этими драйверами, а также рекомендации для дальнейших исследований.</p>
Ключевые слова:	Поколение Z, Миллениалы, потребительское поведение, Маркетинг для поколений

## **ABSTRACT**

Master Student's Name	Askenova Laura
Master Thesis Title	Changes in consumer behavior: embracing Generation Z in Russia
Faculty	Graduate School of Management
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Academic Advisor's Name	PhD, Associate Professor Maria M. Smirnova
Description of the goal, tasks and main results	<p>The main goal of the Master thesis is to identify which drivers of consumer purchase behavior can influence the willingness to buy of Generation Z consumers in Russia.</p> <p>The tasks of the thesis include: analysis of the existing literature in the field of consumer behavior and identification of research gaps, description of consumer portrait of the Millennial generation and analysis of drivers that have the greatest influence on Generation Z's willingness to buy in order to determine in which ways they are different from the previous generation.</p> <p>The main results of the work are: the discussion of drivers that have the strongest or weakest influence on the willingness to buy, identification of links between these drivers as well as provision of the recommendations for further research.</p>
Key words	Generational Marketing, Generation Z, Millennials, Consumer Behavior

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## INTRODUCTION

### *Research Background and motivation*

It is no surprise statement that the world we are living in today is very dynamic, meaning factors like globalization, economic turbulence, cut-throat competition, technological innovations challenge companies' ability to sense and respond to market changes quickly and accurately. The inability to do so led many companies that were once leaders in their industries to cease their businesses or get acquired by those who were better at understanding the market (V. Kumar, E. Jones, R. Venkatesan, & Robert P. Leone 2011, p. 16). Famous examples of companies that failed to catch signals of changing customer needs are Kodak, Blockbuster, Nokia, Xerox; and famous success stories are of companies like Netflix, Uber, Airbnb and Spotify. The concept of "market orientation" was first recognized by academics Kohli and Jaworski in 1990s and since then a number of articles have been published about the importance of being market oriented. It is the central concept of marketing discipline and has become increasingly important for other fields such as management as well (Gary F. Gebhardt, Gregory S. Carpenter and John F. Sherry Jr. 2006, pp. 37-38).

The central element of the "marketing orientation" concept is customer focus, being customer-oriented. This involves gathering information about customer needs and preferences as well as being ahead of the market and foreseeing their emerging or future needs that are not verbalized yet (Kohli and Jaworski 1990). Many studies highlight the importance of customer orientation as a key driver of firms' profitability. However some companies, for example Apple and Google, claim to lack market orientation and to be more driven by idiosyncratic drivers like exceptional product advantage and nevertheless they have exceptional business performance. Still we cannot say that these companies are less market-oriented, rather they are a prime example of proactive and market-driving companies that foresee and shape customer preferences and this quality is crucial in today's world that is changing even more rapidly than ever before (Johanna Frosen, Jukka Luoma, Matti Jaakkola, Henriikki Tikkanen, & Jaakko Aspara 2016, p. 65).

According to Goldman Sachs Generation of Millennials is considered to be the largest generation in history and currently they are in their prime years of spending. They shape the way today's businesses operate, they have disrupted existing business models and given rise to the new ones. However the next generation to take the Millennial's reins is Generation Z (EY 2015). Millennials are dramatically different from previous generations, they have a whole new set of values, and despite characteristics of Generation Z are still emerging they are already claimed to be

different from Millennials. So who the people of Generation Z are, how businesses can effectively reach them and not get disrupted is an interesting topic to research.

### *Research gaps in existing consumer behavior studies*

Collins dictionary defines a “generation” to be all the people in a group or country who are of similar age and who have similar experiences, beliefs, values and attitudes. Traditionalists, Baby Boomer, Generation X, Millennials and currently evolving Generation Z all possess distinct characteristics and considerably differ from each other.

However these characteristics are not the same across different countries. Even though Millennials and Generation Z for whom boundaries seem to be blurred because they are technology savvy, can easily maneuver through vast amounts of information and stay connected 24/7 do share some common characteristics around the world, still they are not completely the same. The reason for these differences is every country’s unique socio-political and economic events that shape people’s behaviors, views and attitudes (Tammy Erickson 2011). So despite strong connectivity these generations across the world share different buying behavior and attitudes to trends that stem from what they believe, which, in turn, is the result of the cultures they grew up in.

Extensive research has been done on Millennials, their needs, preferences and priorities (Eddy S. W. Ng, Linda Schweitzer, Sean T. Lyons 2010; Ch. Barton, J. Fromm, Ch. Egan – BCG 2012; Stephanie Knapp 2017; J. Barsh, L. Brown, and K. Kian – McKinsey 2016; C. D’Arpizio, F. Levato – Bain & Company 2017; Deloitte 2017, KPMG 2017). However little is known about Generation Z and very little about Generation Z in Russia. Majority of information on Russian sources refer to Sparks & Honey – American agency specializing in marketing research, David Stillman – American generations expert, Forbes and other international sources. However, as defined earlier generational attributes cannot be considered to be the same around the globe. So these descriptions do not portray Russian Generation Z realistically enough.

Theory of generations became extremely popular and widespread in foreign demography, sociology, marketing and advertising research at the beginning of the 21st century. In Russia, however, it still hasn’t gained widespread acceptance. Nevertheless it is becoming increasingly popular. Domestic study of generations was first proposed by a group of young Russian scholars under leadership of Y. Shamis in 2003. A large number of researches have appeared since then devoted to this topic. Some of them to note are Soldatova G., Rasskazova E. 2014; Shamis E., Nikonov E. 2016; Shanin Teodor; Lumpieva T.; and couple of authors who studied particularly

consumer behavior of different generations in Russia are Amato S.; Shevchenko D. 2013 and others (Maletin S.S. 2017). So, little research has been done on differences in generations' consumer behavior. Furthermore, research on Generation Z is only starting in Russia (Maletin S.S 2017).

So Generation Z in general, let alone in Russia, is poorly investigated. It can be also seen from the fact that existing research cannot agree on who Generation Z are in the first place: people born after 1995, 1998 or 2000s? This study aims to contribute to the research in this area and try to fill this gap.

### *Research problem, goal and questions*

Research problem is that there is little information known about consumer behavior of Generation Z in Russia. It is no doubt that Russia's rich historical and cultural heritage influences its people's values, perceptions and behaviors. And despite Generation Z was born in the age of high-technologies, relentless connectivity and they are aware of the latest news and trends, socio-political and economic situation in Russia shapes their behaviors and responsiveness as well. However understanding consumer behavior of a particular generation completely is impossible. This research has established some scope and provided limitation presented in the empirical part.

Research goal, therefore, is to identify which drivers of consumer purchase behavior can influence the willingness to buy of Generation Z consumers in Russia.

Research questions that will help to guide towards this goal are:

1. Which drivers influence Generation Z's willingness to buy the most?
2. Are there any links between these drivers?
3. Is there a difference between earlier Generation Z (1996) and later Generation Z (2000)?

Research tasks are:

1. To define consumer behavior and analyze what general factors affect it;
2. To discuss how consumer behavior has evolved and changed over the time;
3. To discuss new trend of studying generational consumer behavior and generational marketing;
4. To analyze consumer portrait of Millennials generation;
5. To identify relevant drivers of consumer purchase behavior;
6. To identify how Generation Z is different from the Millennials;
7. To discuss implications of the research findings.



Therefore by the end of this study it is expected to understand drivers influencing consumer buying behavior peculiar to Generation Z in Russia.

It is high time for companies to start to take Generation Z seriously and research how they are different from Millennials. According to Forbes, in a few years they will replace Millennials to become the largest buyers. According to some reports, by 2020 Generation Z will constitute 40% of buying group. Moreover, Research conducted by Cassandra Report indicates that 93% of parents say that their children influence family spending and household purchases. Therefore it is crucial for the companies to be proactive and capture Generation Z's needs as early as possible.

So this study will add value to existing consumer behavior studies, especially of consumer behavior of Generation Z in Russia. There is also managerial applicability: understanding the next generation's emerging preferences will help companies foresee trends, design relevant products and services and design marketing activities that would reach this generation in the most effective ways.

#### *Research strategy and organization of study*

The research is exploratory in type. First, theoretical framework of the study is built through the analysis of consumer behavior theories which cover decision-making processes and factors that affect consumer's decisions and behaviors. It moves on by providing a link between consumer behavior and marketing and how the role and tactics of marketing have changed over time. After general idea about factors influencing consumer behavior are derived, the research moves on to study a specific subject which is the generational peculiarities of consumer behavior, namely of Millennials and specific drivers influencing their decision to buy. Then the research proceeds with the discussion of emerging patterns of Generation Z's consumer behavior. It discusses the results of existing studies on consumer behavior of Generation Z in Russia and identifies gaps.

As consumer behavior of Generation Z in Russia is poorly researched, this research does not aim to provide conclusive answers to the questions but explains certain aspects of consumer behavior with varying level of depths and reveals new aspects to be researched in the future. So finally discussion of the findings, theoretical contributions and limitations as well as practical implications will be discussed to summarize the study.

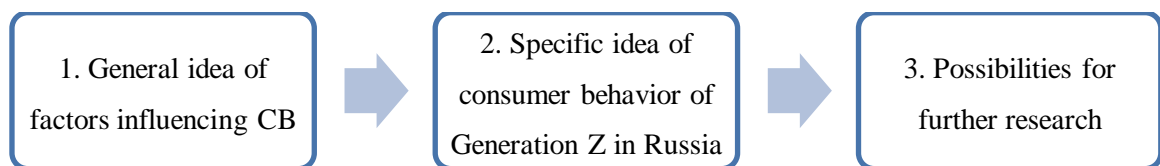


Figure 1 Exploratory research design

To analyze the consumer behavior the research uses secondary data such as academic literature as well as company sources that conducted similar research in the area of consumer behavior of young generations. To explore the research gaps first-hand data in the form of questionnaire data was used to draw some initial inferences and explore links between drivers influencing consumer behavior.

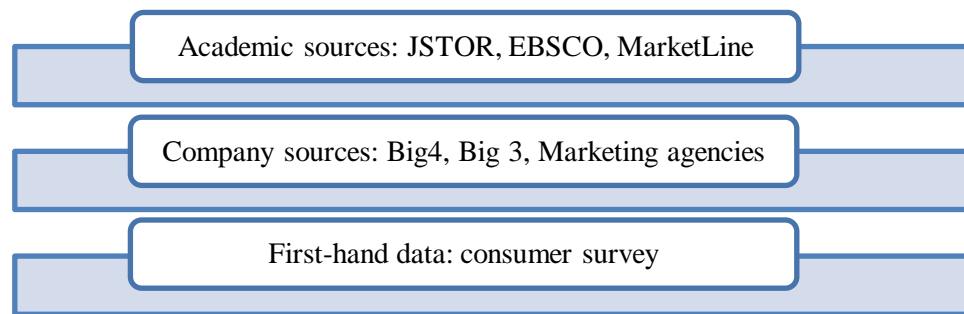


Figure 2 Data sources used

Research tactics answer the questions: what data to collect? How to collect it and how to analyze it? The summary of the research tactics is provided in Figure 3.

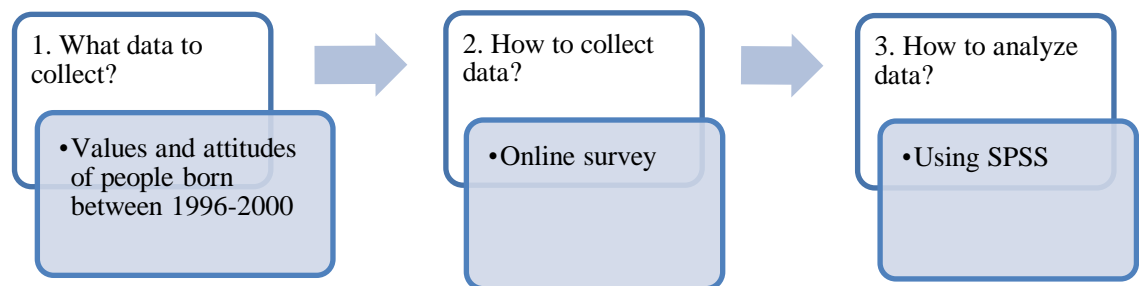


Figure 3 Research tactics

## Chapter 1. Introduction to consumer behavior

### 1.1 Consumer behavior defined: theoretical discourse

Before proceeding with any kind of analysis of consumer behavior development theories it is important to define what consumer behavior is and move from general to specific in order to ensure a logical and consistent flow of the literature review and empirical part of the research as well (Table 1).

Table 1 Structure of the Literature Review

LITERATURE REVIEW			
Defining consumer behavior and identifying factors influencing it	Evolution of the consumer behavior	Consumer behavior of Millennials	Consumer behavior of Generation Z

Consumer behavior has been defined by Schiffman and Kanuk (1987, p. 6) as the behavior of searching for, evaluating, acquiring and disposing of a product or service which is expected to satisfy their needs. Schiffman and Kanuk (1987, p.7) further elaborate defining a consumer as an individual or organization who obtains these products and services for his or her own or somebody else's use. The study of consumer behavior is the most multifaceted topic that can be ever imagined, because the act of consuming is not only economic behavior, it is also social behavior, therefore insights from many other social disciplines come into play when we talk about consumer behavior (Susan L. Henry 1991, p. 3). Consumer behavior involves both physical – shopping, collecting information, taking to salespeople, and mental activities – analysis of the information, comparison and making a purchase decision (Al-Jeraisy 2008, p. 45). There are two broad and main factors that influence the decision to consume. They are internal and external factors and they each deserve separate discussion.

#### *External factors*

External influences are factors outside the individuals' forces and that are either directed at or sought by the individuals when making a decision to consume (Schiffman and Kanuk 1987, p. 635). This includes elements of the marketing activities: the product itself, promotion and advertising, distribution and etc. The product itself triggers a complex stimulus processes in consumers' minds. Inherent physical characteristics of a product like size, color, appearance, taste, durability are as important as its "perceived set of want-satisfying" attributes and generally its symbolic. These are

all important external factor influencing consumers' willingness to buy and suggesting that there is more to a product than just its physical characteristics.

Individuals do not live in separate silos. People live in a community and interact with other people every day. We are social beings and therefore *socio-cultural environment* has one of the most powerful influences on an individual. Individuals are associated with a particular group that shares common beliefs, attitudes, values, symbols and standards of behavior. Even without consultation to or discussion with the group an individual's decision most probably was influenced by this group on an unconscious level (Henry 1987, p. 360).

Consumption is one of the most important ways of indicating a belonging to a group, particularly some ethnic groups, subcultures, status and so on. So essentially it is a reflection of life-style (Myers and Gutman 1974; Susan L. Henry 1991, p. 6). This socio-cultural environment includes the following: *Culture* - shared beliefs and values in a society, which consumers adopt and they influence their buying decisions. *Reference* group includes friends, clubs and associations that an individual belongs to. *Social class* is a division of a society according to incomes and standards of living. Each social class its own consumption characteristics and even can be distinguished by them. Thus people buying luxurious products comprise upper-end social class and so on. *Family* probably exerts one of the most powerful influences on purchase behaviors of individuals due to early socialization experienced with a family (Al-Jeraisy 2008, p. 49).

Another external factor that influences consumer behavior is economic factor. Eventually consumers' decision to buy boggles down to the financial situation and considerations of affordability and utility of the purchase. Economic factors consist of consumer's personal income, family income, income expectations, savings and other economic factors. Personal income, which is disposable income left after all tax deductions, is one of the major determinants of purchase decision. If personal income increases, expenditure on different purchases also increases, and the opposite is true in case of a decrease.

Family income on the other hand, is the aggregate income of all members of the family. Income of the family influences purchase decisions of a more durable or luxury goods. Other powerful determinants of the purchase decision are future income expectations and savings. Positive or negative changers in the expectations and savings lead to an increased or decreased consumption and purchase decisions accordingly (N. Ramya and M.Ali 2016, pp. 79-80).

#### *Internal factors*

Internal factors influencing consumer behavior have to do with personal factors and psychological factors (Sarker et.al 2013, p. 42-43). *Personal factors* include consumers' lifestyles, lifecycle stage, occupation, age, personality and self-concept. Consumer lifestyle expresses individuals' living patterns, activities they do in their free time, their interests, priorities and how they feel about particular issues. Lifestyle does not remain constant throughout the individuals' lives. It can be different at the different lifecycle stages.

For example, at their youth people lead more active lifestyle and have more risk-taking attitude, whereas when they settle down with families or after retirement they lead more traditional lifestyles and value security and safety. All this personal factors ultimately influence the individual's perception about his/her own self and it is reflected on their purchase decisions on an unconscious level. Therefore many brands today try to develop an image and personality that would correspond to its customers' traits and values, so that this way customers can express themselves (T. Lautiainen 2015, p. 9).

*Psychological factors* include motivation, perception, learning and beliefs. Motivation is an internal state that leads to goal-directed behavior to satisfy a particular need. Motives of individuals can be very different. According to Abraham Maslow human needs can be arranged in a pyramid with the bottom occupying the most basic needs that have to be satisfied first. These basic needs are the major pressing motivator in consumers' behavior and after they are satisfied individuals are motivated to satisfy higher level needs.

Perception refers to how individuals see and give meaning to the world around them. Different people have different perceptions about the same occasion, issue or thing. These perceptions are shaped by other external and internal factors which allow an individual to evaluate the situation and interpret it in his or her own understanding, or in other words perceptions.

Beliefs and attitudes are an individual's descriptive thought about a particular thing and an attitude he or she has towards it, i.e. emotional feelings, action tendencies and cognitive evaluations. For example beliefs and attitudes regarding politics, music, brands, food, environmental issues, religion and so on.

Finally, learning is about change in the behavior of an individual resulting after some kind of experience. Individuals' decisions to purchase are largely based on their own experience or experience of their family and friends; therefore it is an important determinant of the consumers' willingness to buy (Durmaz 2014, pp. 195-196). The summary of all the factors influencing consumer behavior can be found in Figure 4.

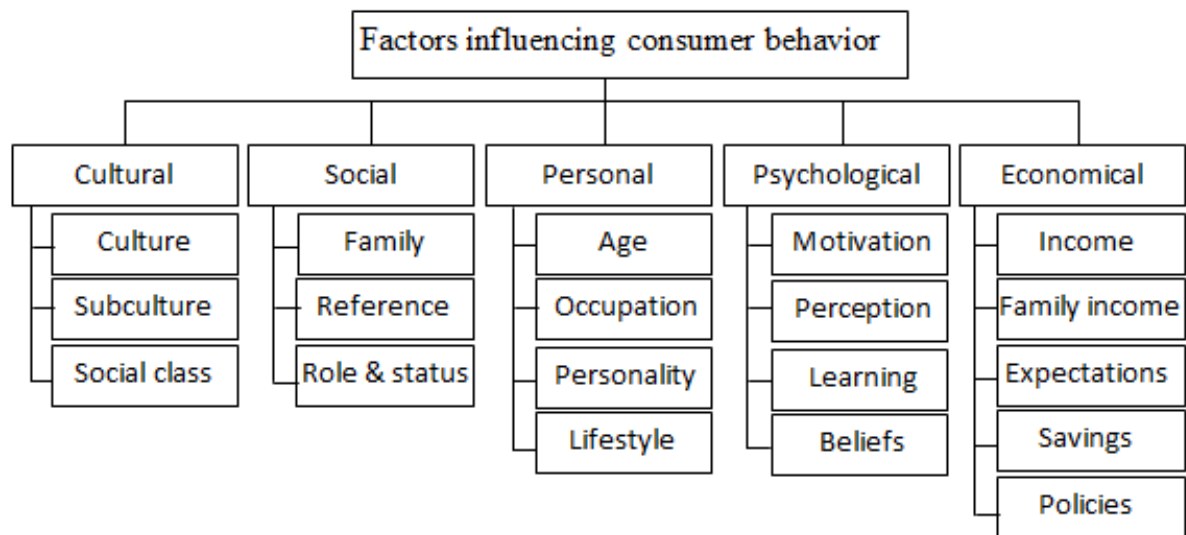


Figure 4 Factors influencing consumer behavior (N. Ramya and M.Ali 2016)

#### *Consumer decision-making process*

Theory of decision making has its own history and evolution. And its evolution goes in line with the changes in perception of human rationality at different points in time. The very first theory considered human decision making process to be completely rational and the most commonly used model was the “utility theory”. The model emphasized that decisions were based on their expected outcome implying the decision-maker always tries to maximize the utility while at the same time minimizing the efforts. This theory, however, had been criticized widely (Simon 1997).

The next theory challenged the dominant view of the economists by taking into account limitations of availability of information, organization and storage of this information in the memory of a decision-maker. Utility theory asserted that decision-maker follows rationally developed steps to make a choice considering numerous limitations, whereas the assumption of bounded rationality assumes that complexity of the circumstances, time limits and constrained mental computation power do not allow a decision-maker make a rational decision (Buchanan and Connell 2006).

The next concept emphasized other dimensions of decision-making. For instance, limited rationality would imply that decision-makers can simplify the problem due to the complexities and their inability to process and evaluate the situation. It received a name “process rationality” and emphasized that there is an impact of the decision-making process itself apart from the outcome itself (S. Karimi 2013, pp. 96).

Considerable number of researchers introduced the earliest and most influential theories and models of decision-making in 1970s. However the research was not based on pure theory, since

back then there was very limited theory on consumer behavior. There are many models explaining the process of purchasing products or services, which is multi-stage and complex process in nature. Some suggest 7 stages; however the most widely accepted model is 5 step consumer decision-making process (Figure 5).

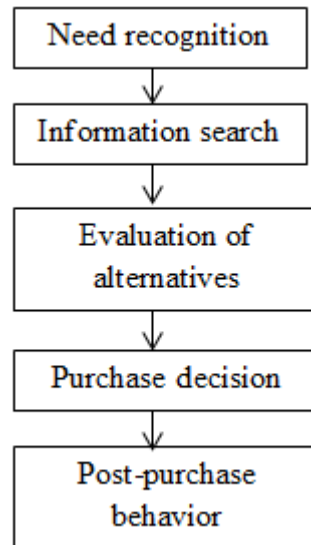


Figure 5 Consumer decision-making process (B. Mohamed 2011)

On the first stage, there is some motivation that triggers the desire for need satisfaction. The need provokes different feelings and motivation that can be both internal and come externally as a result enhancing this desire to satisfy the need.

On the second stage an individual looks for information about potential products that can satisfy his or her need. Types of research they undertake eventually influence their final purchase decisions. Literature has explored various concepts and identified two main types of information search: personal information search and external search. Personal information search is based on the individual's previous personal experience. It can also be word of mouth, family and friends' advice. External search is non-personal and comes from advertisements in media, street banners, printed advertisements and so on.

After the potential products are found individuals move to the third stage of the decision-making process – alternative evaluation. It can be considered a crucial stage, because here individuals analyze all the information they have gathered, evaluate alternatives and make a final purchase decision. Evaluation is usually based on a number of factors as well as constraints peculiar to a particular situation of an individual.

After the careful evaluations the fourth step - a decision to purchase is made and followed by a final stage – post-purchase behavior. In the post-purchase stage individuals evaluate the firm and goodness of the purchase they made. Positive evaluations usually lead to a repeat purchase, whereas negative evaluations lead back to the information search and then evaluation of the alternatives (B. Mohamed 2011, pp. 153-154).

#### *The role of risk in the consumer decision-making process*

First to propose that consumer behavior can be viewed as some form of risk taking was Raymond Bauer (1960). Since this proposal a number of researches were done to investigate this topic. The reason consumer behavior is a risk taking is because it involves choice and the outcome of the choice can be known only in the future, therefore there is to some extent uncertainty and risk involved. Perception of risk plays crucial role in consumer behavior as it may influence the end decision to consume, or buy. Usually risk is perceived as something painful and producing anxiety.

Any risky situation, or choice, has two dimensions: outcome uncertainty and consequences uncertainty (James W. Taylor 1974, pp. 54-55). Good part about the risks is that they can be managed and reduced. For example by acquiring and dealing with information consumers can reduce the outcome risks (William B. Locander 1979, p. 268), and by reducing the amount of things at stake or delaying the choice they can reduce the consequences risk. The loss from the risks to consumers can be in terms of both psycho-social and economic, and in other cases it can be the combination of both forms of loss (Figure 3).

Different people can respond to the same or similar risky situations in various ways. A number of experiments had been made to define and describe the profiles of risk-takers and risk-averse persons. Differences in response to a situation involving risk can be attributed to different backgrounds: family, education, prior experience, culture, etc. (J. François Outreville 2014, p. 159). So it is important to take into account potential risks consumers may perceive when buying a particular product or service. Because perceived risk can negatively influence their willingness to buy, that is the purchase can be postponed or cancelled at all. In general consumers cannot alter the consequences of using a product, however, they can alter uncertainty about consequences and avoid considering negative consequences.

There are three major ways consumers can reduce the perceived risk from various products or brands: 1) information search, particularly from personal sources such as family, friends, reference groups; 2) pre-purchase deliberation, which would allow the buyer to digest large amounts of information and structure his or her cognition accordingly; 3) brand image, if it exists. It creates



brand loyalty and reduces perceived risk making consumers more inclined towards buying products from a particular trusted brand (Jagdish N. Sheth 1968, p. 307).

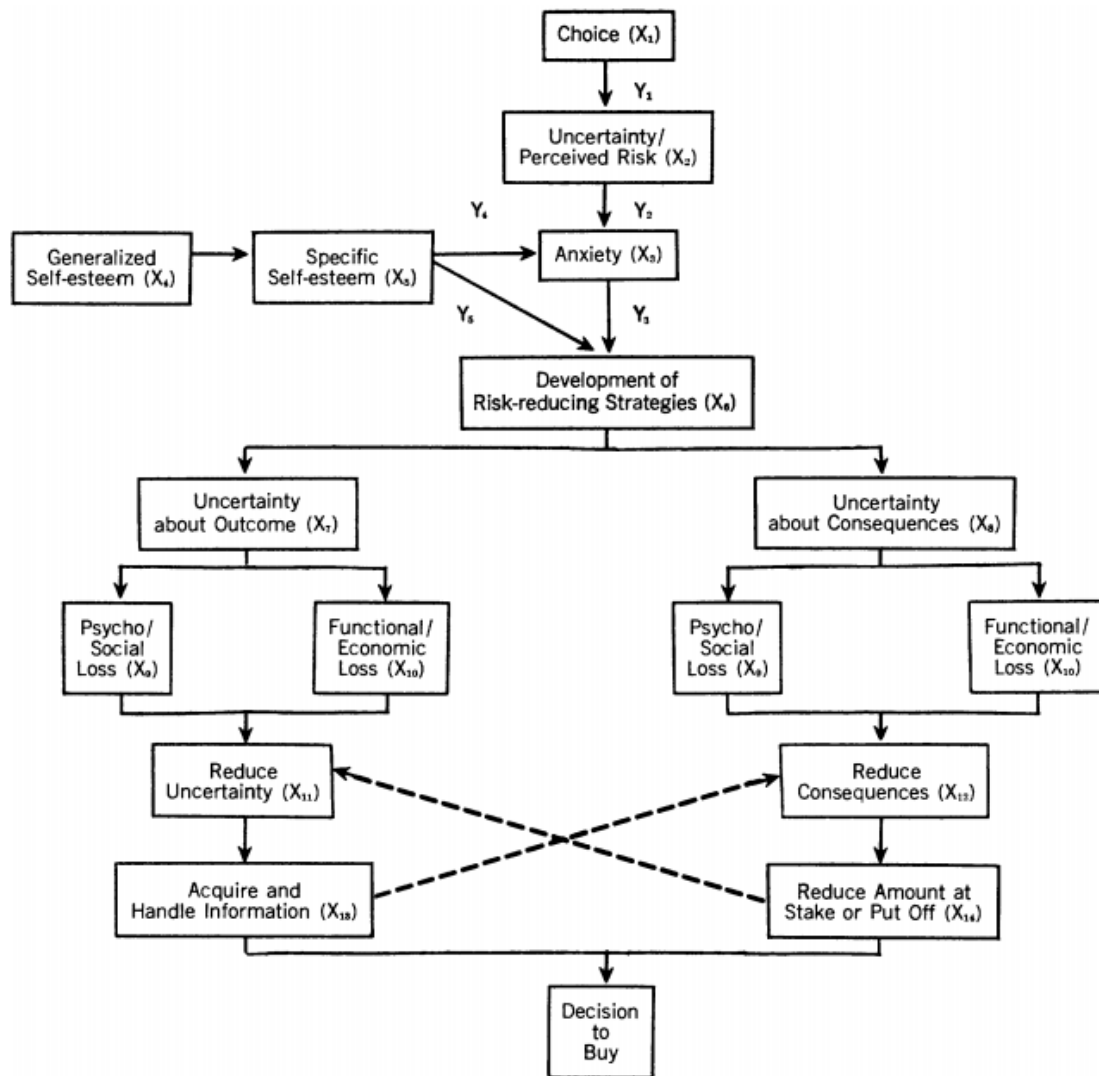


Figure 6 Risk taking in consumer behavior (James W. Taylor 1974)

The market implication of the perceived risk theory is that companies should think of the ways they can reduce this risk. Because risk management enables customers to act with relative ease and confidence and make them more inclined to make a purchase decision. Johan Arndt (1976) defined that word of mouth advertisement plays a great role in reducing the perceived risk. Word of mouth is defined as non-commercial oral communication between two or more people about a particular product or brand. Informal group influence is considered to have a powerful influence on consumers' willingness to buy and Arndt (1976) provides three main arguments in support:

1. People believe reference group recommendations to be more reliable and trustworthy sources of information, therefore it helps them to make better decisions;
2. Personal contacts reduce risk by offering social support, in contrast to the mass media.
3. Provided information is backed by surveillance and social pressure.

Other research agrees that group influence may give greater effects on consumer behavior than the individual's own beliefs. The research conducted by Applied Social Research tested two groups that were guided in their decisions by their own beliefs and by their friends' advice. The findings indicate a higher usage of the product among consumers whose friends used the product (Arch G. Woodside and M. Wayne DeLozier 1976, p. 13).

Brand equity plays another powerful role in the reduction of perceived risk. Proper corporate communication will also result in good brand management, as firms' primary goal is to increase the brand awareness in the market, which in turn will result in stronger brand identity. However the traditional definition of brand management is confined to the advertisement campaigns that are directed at enhancing the brand image and reputation. Whereas the broader definition suggests that successful brand management involves continuous communication between firm and consumers thus improving perceptions of the consumers about the firm's credibility to deliver on its promises. As a result, perceived risk is reduced and consumers are more willing to purchase from strong brand names. Strong brand equity, therefore, also allows putting premium on the products or services as consumers are willing to pay extra to reduce the risk. This, however, puts responsibility and pressure on the company to deliver the promised standard as the expectations from strong brand names are high. Information on the inability to deliver on the expected standard is spread and consolidated in today's highly connected quickly and can damage the company's brand equity significantly. So it is necessary to conduct proper brand management activities to reduce the perceived risk and therefore ensure consumers are more willing to make a purchase decision (T. Erdem et al. 1999, pp. 312-313).

## **1.2 Evolution of consumer behavior as a discipline**

The study of consumer behavior can be considered to be in its infancy because compared to the history of most other disciplines. It dates back to less than fifty years. Moreover, majority of the significant research started to emerge from 1970s. Since then the area of consumer behavior research has been experiencing even greater acceleration. It has become marketing discipline's greatest empirical emphasis (David T. Kollat, James F. Engel and Roger D. Blackwell 1970, p. 327).

However empirical analysis of consumer behavior has a very long history. In fact the very first statistical estimation of demand can be tracked back at least to Moore, 1914. Early works just summarized data and had little to do with the economic theory. Later it was clear that there is more to consumer behavior than merely what had to do with the economic theories. Demand was interpreted not just from the simple economic concepts but from consumer heterogeneity point of view. It was clear that apart from known consumer characteristics like incomes, considerations for future utility, education, family size demand was also influence by other sets of consumer-character-specific attributes and behaviors that needed to be explored and modelled (Avil Nevo 2011, p. 52).

So starting from 1950s the field of consumer behavior saw an explosion of a number of researches studying consumer behavior from various perspectives. Social sciences became an impetus for the articles in consumer behavior theory that started to deal with scientific testing of the hypotheses to prove the theory base. And later advances in computer manipulation of data have increased the complexity of the articles written and the statistical methods used to analyses the data. The research has shifted from purely descriptive statistics to multivariate statistics. We are living in an ever-changing environment and societal, technological, economic and public policies, environmental changes all affect and shape our behaviors. Therefore the study of consumer behavior has also been evolving with these trends (James G. Helgeson, E. Alan Kluge, John Mager and Cheri Taylor 1984, p. 451). So the study of the consumer behavior is a very complex interdisciplinary topic involving many other disciplines (Figure 7).

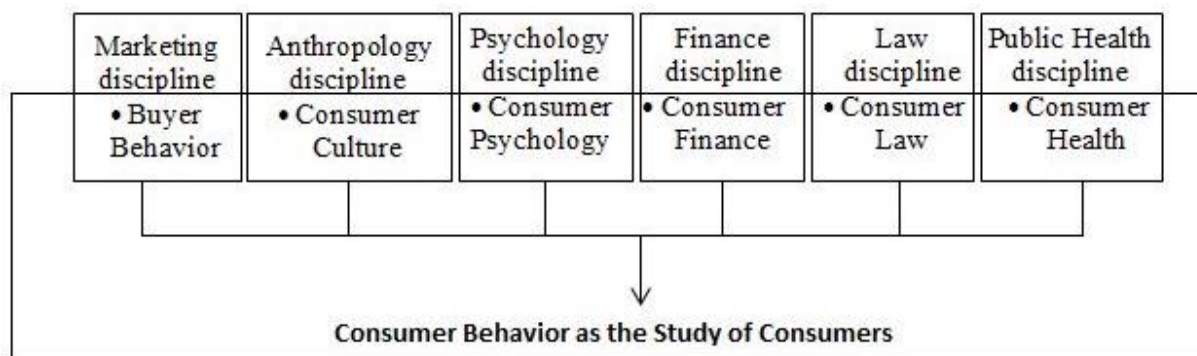


Figure 7 Interdisciplinary nature of the study of consumer behavior (Deborah J. MacInnis and Valerie S. Folkes 2010, p. 906)

During twentieth and thirtieth due to the wedding of formal mathematical economics and statistics a new discipline, econometrics, was originated. Econometrics provided a beneficial and fruitful collaboration between theory and data, and made enormous contributions in solving demand

estimation problems. However understanding demand for particular brands within a particular product class still remained a problem. This issue was solved by new statistical techniques such as stochastic models that were born in late fifties. The technique was useful in explaining probabilities of purchasing a particular brand or switching to new ones. Finally, later in fifties consumer research started being influenced by developments in psychology and social psychology disciplines (Francesco M. Nicosia 1969, p. 9, 11-12).

But among all of these disciplines marketing thought is probably the most intertwined one with consumer behavior. Marketing itself is also an interdisciplinary science which over the years has relied on other social sciences such as sociology, anthropology, economics, and had been inevitably influenced by all the developments and milestones in consumer research briefly discussed above. Study of aggregate market behavior gave rise to the managerial schools of marketing thought whereby the focus and understanding have shifted to the individual consumers. However social sciences still dominated the marketing thought. But over the course of time marketing kept its focus on individual consumers and behavioral sciences have become of central importance to the discipline. Next section briefly goes through each stage of the marketing thought and corresponding consumer behavior parallel.

#### *Classical Marketing and Consumer Behavior*

Bartels (1962) has first documented an emergence of the Classical school of marketing also identified as functional, institutional and commodity schools. The school focused on the objects of transactions, on activities inherent to market transactions like distribution, assortment, and finally on agent of the transactions – they are wholesalers, retailers and other channel members.

Major influence came from microeconomics, economic geography and economic anthropology concepts. Therefore early study of consumer behavior generated knowledge in the areas of retail patronage, consumption economics and self-service concepts. For research methods to better understand consumer behavior case studies, surveys and the use of census data became very prevalent in the times of classical school of marketing.

#### *Managerial Marketing and Consumer Behavior*

Emphasis on observing and describing market behavior shifted to emphasis on controlling it and gave rise to the managerial school of thought. The emergence of this school was fueled by the economic boom after the World War II. During those times the market witnessed production of many new products and it is during this very time first marketing concepts like four Ps, marketing mix, market segmentation and product differentiation were identified.

Focus of the managerial school of marketing has shifted from demand theory to the theory of the firm and concepts of competition and product differentiation were explored more deeply. The school still heavily relied on sociology, but the focus has shifted from aggregate market behavior to individual consumer behavior. This fact generated knowledge in brand loyalty, opinion leadership, different types of segmentation and life-cycle stages of households. Methodology of research approaches has also changed to econometric modelling of different factors, for example personal characteristics, on consumers' buying behavior. Longitudinal panel and use of stochastic processes also became popular.

#### *Behavioral Marketing and Consumer Behavior*

With the shift of focus on individual consumers, the contribution of behavioral sciences to the marketing discipline has become enormous. This also resulted in search for other disciplines that can prove useful for the marketing. Particularly, different branches of psychology such as economic psychology, clinical psychology, organizational psychology and social psychology were identified as relevant and useful.

Research in behavioral marketing was driven by the assertion that individuals are psychologically driven in their purchase behavior. This resulted in emergence of numerous buying behavior, organizational buying behavior and attitudinal theories. And research methods included cross-sectional studies, focus groups and laboratory experiments. Behavioral schools of marketing have significantly increased the sophistication of both consumer behavior theory and empirical testing methods. It is in this period consumer behavior has matured significantly to claim its own status of separate discipline. Further in the academic literature we can observe debates about disciplinary status of consumer behavior.

#### *Adaptive Marketing and Consumer Behavior*

More recently, the marketing discipline has shifted its focus to wider marketplace threats and opportunities. This has resulted in emergence of the adaptive marketing concept which relies on concepts from stakeholder analysis, business strategy and other social sciences about global markets. Adaptive marketing approach unlike traditional marketing does not aim to change the environment and consumer behavior to use its products, but changes and adapts itself to fit the changing environment.

Adaptive marketing tries to understand cross-cultural consumer behavior, competitive behaviors and behavior modification strategies. Marketing has become less persuasive and pushing

products and more about genuinely understanding consumer perceptions, behaviors and designing products that best fit them.

So each marketing era has its own distinct characteristics which motivated specific types of consumer behavior. Close interconnectedness of the two disciplines has shaped their history in regard to theory development and research methodology (Table 2).

Table 2 Parallel between Marketing and Consumer Behavior (Jagdish N. Sheth 1985)

		Reliance on	
		Social Sciences	Behavioral Sciences
Focus on	Market Behavior	Classical Marketing <ul style="list-style-type: none"> <li>- Demand theory</li> <li>- Economic Geography</li> <li>- Economic Anthropology</li> </ul> Parallel Consumer Behavior <ul style="list-style-type: none"> <li>- Consumption Economics</li> <li>- Retail Patronage</li> <li>- Self Service</li> </ul>	Adaptive Marketing <ul style="list-style-type: none"> <li>- Global markets</li> <li>- Environmental analysis</li> <li>- Competitive structures</li> </ul> Parallel Consumer Behavior <ul style="list-style-type: none"> <li>- Global consumer behavior</li> <li>- Consumer as Stakeholder</li> <li>- Comparative consumer behavior</li> </ul>
	Consumer Behavior	Managerial Marketing <ul style="list-style-type: none"> <li>- Theory of the firm</li> <li>- Diffusion of Innovations</li> <li>- Social class</li> </ul> Parallel Consumer Behavior <ul style="list-style-type: none"> <li>- Brand loyalty</li> <li>- Opinion leadership</li> <li>- Demographics</li> </ul>	Behavioral Marketing <ul style="list-style-type: none"> <li>- Behavioral theory of the firm</li> <li>- Social psychology</li> <li>- Clinical psychology</li> </ul> Parallel Consumer Behavior <ul style="list-style-type: none"> <li>- Organizational buying behavior</li> <li>- Attitude research</li> <li>- Motivation research</li> </ul>

The latest trend in behavioral marketing is segmenting the market into generational cohorts and adapting marketing mix to the needs of a particular generation. Cohort analysis gained recognition with the studies of Reynolds and Rentz in 1980s. It is defined as a group of individuals who were born in the same time interval and experienced the same events, therefore share similar beliefs, values and attitudes (Kosei Fukuda 2010, p. 53).

After cohort analysis the theory of generations emerged as a scientific direction in the beginning of XX century. Methodological research foundations were laid by K. Mannheim and H. Ortega-Gasset. However this concept didn't gain widespread acceptance till the end of XX century. This has dramatically changed when H. Howl and V. Straus published their work on modern theory of generations. According to their work, people born in a particular period of time share similar

values, socio-psychological characteristics, as each generation's views are shaped in particular historical conditions. Usually change in the mindset and values of generations happen every 20-22 years.

First socialization process of generations is influenced by the global events, socio-cultural and economic peculiarities of a country, family and personal life factors. Values formed in this first stage of socialization can stay with people for the rest of their lives and define their consumer behavior characteristics. Generational theory became quickly popularized across the world; however year brackets of different generations vary with each country due to country and culture-specific peculiarities.

Silent Generation was born between 1925 and 1942, and was raised by parent who just survived World War II, Great Depression and other major disasters. Other widespread name for them is traditionalists and as the name suggests they obey rules and laws, they are hard-working, patriotic and trust in government. Generation that came after Traditionalists and were born between 1943 and 1960s received a name Baby Boomers. They grew up in the age of inspiring awakening and optimism. Being promised an American dream they grew up being ambitious, idealistic and valuing personal growth. This might be a reason for the highest divorce rates among this generation. Next generation born between 1961 and 1981 was Generation X. They grew up during experimental times and demonstrated qualities like adaptiveness, flexibility, independence and pragmatism (Strauss and Howe 1991, pp. 24-33, 52).

The latest generations are Millennials, born after 1982, and Generation Z, born after 1996. These generations represent largest generational cohorts and therefore the largest spending population. They are under the spotlight of numerous studies and deserve separate attention. The last section of the literature review discusses consumer characteristics of the most studied generation of Millennials and sheds light onto the exiting knowledge about Generation Z.

### **1.3. Consumer behavior of the young generations: Millennials and Generation Z**

In order to explore consumer characteristics of Generation Z some previous research is needed to serve as a point of referral. Every generation is studied in comparison to the previous generations to make some inferences about in what ways the generation under study is different and what are its new emergent characteristics (Hazlett J. 1992, p.363).

#### *Millennials*

As the first digital natives and the most studied generation is Millennials, literature review provides main arguments of the extensive studies done by companies like KPMG, EY, Deloitte, Bain, McKinsey, BCG and some academic articles as well. After that existing literature on Generation Z is reviewed in order to see in what ways they are already claimed to be different from Millennials. Finally research scope is identified to further study Generation Z and empirical findings are presented.

The term “Millennial” was first coined by N. Howe and W. Strauss (1991) in their book “Generations: The history of America’s Future, 1584 to 2069”. Millennials grew up in the times full of historical milestones. Global financial crisis and other economic downturns, globalization, the Internet have shaped this generation in a unique way. They have dramatically different needs, views and therefore decisions to buy a product or service are influenced by their uniquely shaped beliefs. Based on the analysis of the previous research main drivers that influence Millennials’ willingness to buy were identified and are discussed below.

#### *Trend*

Millennials crave social connections both online and offline. They want social validation through likes and comments on their posts. This way they feel a part of the community. If they are not on social media they feel disconnected and like missing out on something very important. Therefore when it comes to purchases they prefer brands that have pages on social media because they overwhelmingly agree that their lives feel much richer when they are connected to people. (BCG 2012, p. 9). Forbes research confirms that social media is a major influencer of Millennials’ purchase decisions, for example, 72% of them report purchasing products based on Instagram posts.

Millennials listen to their favorite celebrities’ endorsements, social media and consumer reviews there because social proof is a powerful phenomenon amongst them. Market Line research also shows that they like to explore brands on social media and are 6 times more likely to purchase a product if a company page features photos from social media. Therefore reposting the audience’s content regularly will increase customer loyalty. So they want to spend money on products and services that connect them with other people, make them feel a part of a trend or some movement that they support. Popularity of the social media gave rise to the influencer who have significant impact over Millennials willingness to buy and can be useful for the companies to help set a trend for their products or services (MarketLine 2017, p. 11).

#### *Recommendation*



They read peer reviews and compare ratings on social media. Social media has enhanced the voices of individual consumers. The definition of “expert” – a person having credibility to recommend products and services has shifted for them. Loud titles will not earn their respect and attention because they need to get the experience first-hand or listen to someone they know who had a first-hand experience. They look for multiple sources of information before making a purchase and most preferably not corporate channels. Anyone who had a first-hand experience can become an expert for them and the information spreads around very quickly. Therefore resonating messages get quickly reinforced through user reviews and many companies’ reputation can be easily damaged if they don’t communicate with Millennials on social media timely (BCG 2012, p.6).

Nielsen report 2014 also acknowledges the fact that 60% of Millennials read online reviews before purchasing a product and spend considerable time on researching about product. They are heavy Internet users.

#### *Advertisement*

Building on the two arguments provided above by the research, effective advertisement for Millennials is the one that uses celebrity endorsements or other relatable characters and themes. The era of traditional marketing has finished and the era of causal or stakeholder and sustainability marketing has come. Millennials are more receptive to advertisement that has a message of addressing socio-environmental problems (BCG 2012, p. 7). They also appreciate sponsored events that allow them to connect with each other. They are more likely to buy from companies who sponsor their favorite celebrities’ events, particularly musical events, as according to the MarketLine research Millennials ranked music to be the second defining characteristics of their generation after technologies.

Millennials expect companies to keep it real, i.e. be authentic and creative in their messages and interaction with them. Despite being so connected, their interests and priorities are fragmented and very eclectic. It is a very contradicting and challenging task for companies to engage Millennials so that they felt a part of the community and at the same time had a sense of individuality and uniqueness. Therefore they expect a two-way personalized conversation from companies when utilizing the social media and advertisers have to keep it in mind. If reached and engaged effectively Millennials will not only become one-two time purchaser of a product but will become brand ambassadors. So if companies effectively deliver a message about why they should care about a particular product, Millennials are going to spread this message (Nielsen 2014, p. 37).

#### *Price*

Nevertheless, when asked what is the most important determinant of their purchase decision price came first. Despite, for example, Millennials are health conscious they still want the price to be cheap, because they grew up in the times of financial crisis and other economic downturns which shaped them to be a little bit price-sensitive. This characteristic can also be attributed to the lower wages (MarketLine 2017). Nielsen report acknowledges that even though quality, convenience, brand and social responsibility were all important for them, price was the first consideration before making a purchase decision.

### *Brand*

They were born and grew up in tumultuous times, the times of rapid change and uncertainty (KPMG 2017). Therefore change and experience of new things has become an integral part of their lives. A lot of research has revealed and agreed on the fact that Millennials are the least loyal generation both in regard to the brands and the workplace. 66% of the surveyed Millennials in 2016, for example according to Deloitte, hope to have changed their jobs by 2020. And in regard to brands, Russian Millennials love international brands because they have been historically associated with high quality which domestic brand couldn't provide. Nevertheless this love is not as strong as of older generations; therefore if the price and quality are reasonable they will be happy to switch between the brands and explore new options (Arina Khodyreva 2017).

### *Availability*

If not given a price option, apart from branding and unique experience factors, the most important factor for Millennials which influences their willingness to buy is convenience. Convenience can be understood as speed or availability of a product or service, because this generation is less likely to wait for them to be served for too long. That is why fast-food restaurant chains, e-retail has become so popular among this generation. They prefer to have everything easily available on demand and be served quickly (MarketLine 2017, p.17; IBM 2017, p. 3).

### *Variety*

Millennials are socially progressive and are claimed to be the most tolerant and diverse generation according to KPMG report. They are not afraid to openly embrace their LGBTQ identity, identify themselves as religiously unaffiliated and politically independent and they are more supportive of the same sex marriage. Their all-embracing personalities are a result of exposure to many different cultures, online connectedness and travelling opportunities.

These attitudes also extend on product or service choices. Millennials don't want to conform to traditional definitions of normality. They love diversity and they want a wide variety to choose

from to find a particular product or service that fits their individuality, because they believe they are not all the same.

### *Innovativeness*

Millennials are the first “digital natives” – technology has become an integral part of their lives. Survey conducted in 2012 by BCG found that majority of Millennials own multiple devices and they consider themselves to be fast adopters of new technology. They want to be among the very first people who to try a new technology, an application or other innovative products. Millennials are very accustomed to technology and are very flexible with it. (MarketLine 2017, p. 36-39)

The fact that they grew up during crisis times has shaped them in a dramatically different way as compared to the previous generations. They didn’t become cautious and saving money for the future, rather they want to experience life here and now, because tomorrow is not guaranteed. It made them risk-takers and guided by a philosophy of “living in the moment”. They love breaking the rules, challenging the system and exploring new avenues. Therefore they have adopted a greater risk-taking attitude to new innovation and don’t want to miss on new experiences (Stephanie Knapp 2017, p. 20).

So technology and innovations are a part of the Millennials identity as a generation. Nielsen research found that when asked what makes them unique 24% of Millennials ranked “Technology use” first. Compared to previous generations Millennials have more positive views of technologies and innovations and how they influence our lives. They believe that it has made our lives easier and help us connect and be closer to family and friends.

### *Unique experience*

Building on the abovementioned point by Stephanie Knapp (2017) it can be said that Millennials crave for unique experience. When they buy something they want it to give some sense of unique, authentic experience and be worth the money. Therefore offerings have to be interesting, even bold to connect with Millennials on the emotional level.

Another point made by MarketLine research on what drives Millennial consumers’ purchase decisions is the fact that since they cannot afford making bigger purchases like home and a car, they compensate it by spending on different activities and unique experiences. Festivals, music shows, travelling and other social gatherings are especially popular among them.

However it also means that they are willing to buy tangible products that enrich their lives with interesting experience. For example, they do not just want to buy food. They want it to be

interestingly packaged. They are inspired by leaders of the company that produce a particular product that they want to purchase, and they are inspired by a nice storytelling around these products. So production and manufacturing companies can also make their goods appealing to Millennials by building emotional connections with them, making them feel a part of unique community and giving them this positive experience of not just consuming a product but living a particular lifestyle. Or else if the use of a product itself is not associated with unique experience this experience can be incorporated in other processes of the company, for example purchasing experience, post purchase support, authenticity and customized experience when communicating with them on social media and so on (MarketLine 2017, p.42).

### *Ethical stance*

Millennials are considered to be the “ME” generation who are self-absorbed and only caring about themselves. This characteristic is rather about life stage than their general condition (Nielsen report 2014, p.12). In fact growing up in an increasingly connected and volatile world has made them the most socially and environmentally conscious generation. Before investing their time, efforts, money on anything they have to see a bigger picture. They want to contribute to the positive change in the world (KPMG 2017, p. 9). They are not impressed by the businesses’ size, profits and general buzz surrounding them. What is important for them is the responsible behavior of the businesses, positive energy that surrounds them and long-term sustainability which has to do with environmental and social benefits, ethics, people treatment and customer focus. They need to have a sense of purpose whatever they do and whatever they purchase (Deloitte 2017, p. 7-9).

They believe that to be good to the planet collective action is needed and people need to integrate sustainable consumption into their everyday lives, for example, buying products that support “fair trade” principles, not tested on animals and following many other ethical norms and not damaging the environment and society (BCG 2012, p.7). Nielsen research has found that 60% of the surveyed Millennials are willing to spend more on products if they know the businesses have implemented social programs and if the products are not harmful for the environment. So Millennials want to do business with companies that support these objectives as well. The role of corporate responsibility therefore has become core to businesses today. Health and ethical food are important as well. Companies cannot ignore the fact that Millennials are more educated on ethical issues than previous generations and therefore expect companies to be transparent and honest about the way they do business. (MarketLine 2017, p. 16-17).

### *Early consumer characteristics of Generation Z*

Millennials' successors – Generation Z – are already reaching an employable age. They are going to become the next big thing for the market research and if companies do not want to get their businesses disrupted they should get ahead of the competitors and start understanding how these individuals are different from the previous generation. It would be wrong to describe and approach them the same way as we do with Millennials, because they have had their own different experience with technology, with the world (KPMG 2017, p. 17-20). If Millennials grew up quickly adapting to new technologies first socialization of Generation Z was in the times of technological revolution. They are the first generation to be born in the world of laptops, smartphones, wide use of the Internet from a young age, in the age of Googling, social networks, messengers, forums, blogs and different communities. They are truly the “digital natives” who can't imagine a world before them: without any technological advances and the Internet. (Z. Maletsin SS. 2017). Relentless technological innovations, complicated global issues, challenging economic situation has strongly influenced behaviors and expectations of the new shopper on the rise – Generation Z, who (70%) are already claimed to influence their families' purchase decisions despite their young age (IBM 2017).

According to Sparks & Honey marketing agency, in 2020 Generation Z will constitute a one third of the world's population and it is better to start thinking now about how they might be different from previous generations and what they want from life in general. If Millennials grew up and developed with the Internet, Generation Z was born “in the Internet”. The number of Internet-addicts among this generation is higher on 25% compared to Millennials. They have more friends on the Internet and all over the world than in real life and therefore they are less patriotic if not at all. So in all likelihood by 2020 we can get a truly global online generation sharing similar views, ideology and goals.

Global recession, terrorism, war has made this Generation more cautious unlike Millennials. If Millennials were described as dreamy, Generation Z is more realistic about the world and opportunities and the fact that they are not boundless, which is in contrast to what Millennials believe. Therefore they do not want to take many risks. They rather seek stability than freedom and flexibility, which are so important for Millennials.

Research conducted by Sberbank confirms the fact that they do not believe in bright and optimistic future. In this way Generation Z reminds the Silent Generation or the Traditionalists, as they also were born during crisis times and grew up being hard-working, obeying by the system and

career-oriented. At the same time majority of them are extremely entrepreneurial and want to own their own businesses.

Research about consumer behavior of Generation Z in Russia is just starting. Generalization of existing research on Generation Z in developed countries to Russia is not reasonable and reliable due to cultural characteristics peculiar to each country. Generation Z is also known under different names such as Gen Tech, iGeneration, Post-Millennials, Digital Natives, Gen Wii, however the former is the most widespread and accepted. It was first mentioned in “USA Today” magazine where the results of a comprehensive research of Sparks and Honey marketing agency were shared. The study results received a name: “Meet Generation Z: Forget everything you know about Millennials” (Maletsin S.S. 2017).

Important socialization factor for Generation Z is their family and influence of their parents. This generation has been brought up in a completely different manner. It is the first generation that consists of all three generations of Baby Boomers, Generation X and Y. Comparatively small proportion of Generation Z are children of younger Baby Boomers and the youngest of them are children of Millennials. Predominantly parents of Generation Z are Generation X, who have stepped away from controlling attitude towards parenting. They are more focused on ingraining qualities like independence, adaptability, and the pursuit of success. So Generation Z has more friendly relations with their parents and therefore are closer to them compared to previous generations. This resulted in Generation Z having more personal space compared to their predecessors; they find answers to the questions on the Internet and are more focused on themselves. They respect their parent but at the same time are less dependent on them. They have been formed with a firm belief that adults are no better than they are. Therefore one has to deserve their respect. Titles and awards won't convince this generation, because they prefer to evaluate personal and professional skills first-hand. Generation Z dislike authoritative style of relationships from the government, educational and commercial institutions and their representatives (Z. Maletsin SS. 2017).

So these peculiarities of Generation Z's first socialization process have formed a complex of peculiar needs requiring further research. These needs play a decisive factor determining consumer behavior of this generation. It can be generally highlighted that the first evident need of Generation Z is the need in information and its instantaneousness.

When it comes to what is known about consumer behavior of Generation Z majority of the research claim that their characteristics are still emerging and still being shaped. However some characteristics are already evident. They are even less focused than Millennials because they live in

the world of continuous updates. Nevertheless whether it is good or bad it helped them to learn to process the information faster than other generations thanks to 6 second apps like Vine and Snapchat. Therefore they have shorter attention span and it can become a real challenge for the companies to capture it. It also made them better multitaskers. So it is important not to overload them with information, message has to be given in visual format and kept as short as possible (Sberbank 2017). This peculiarity is also referred as clip-on thinking by Z. Maletsin (2017). Clip on thinking is manifested in the perception of information in the form of short, rapidly changing frames. At present, many researchers believe that people with a clip-like consciousness are characterized by a high reaction rate, the ability to quickly perceive and process information. This quality helps to orientate quickly and make decisions in crisis situations, which can become an important quality in future professional activity.

Unlike Millennials, Generation Z does not want to challenge the system and take risks. They want to succeed in the system. They still like diversity, but prefer to stay in the same company fulfilling different tasks. They are very entrepreneurial and will invest in their future from a very young age. One reason for that is the fact that they grew up during crisis times and are not as dreamy as Millennials, but more pragmatic.

However the research gives somewhat contradicting opinions. Some claim that they are individualists by nature, do not like sharing private information and photos. They prefer anonymous platforms like Snapchat, Instagram stories where information disappears in 24 hours and doesn't stay in the Internet forever. They prefer silence, privacy and cubical in the offices, unlike Millennials who love open space and collaboration. Other research says that social networks are inseparable part of their lives and they seek social validation through them. Advertising for them will work only on the Internet (Sberbank 2017)

Having grown up in the age of rapidly advancing technological innovations, Generation Z possess personal quality characteristics such as motivation, creativity, entrepreneurial skills, innovativeness. They are forward-thinking generation and use digital know-how to their great competitive advantage through the use of innovative technologies (IBM 2017).

Major issue of the 21st century – the cybersecurity, cyber terrorism, has made them more cautious about what they share on the Internet, so they are more concerned about security and privacy policies. Social media is an important part of their lives, but they restrict the access to sensitive private information and posts to a tight circle of friends (IBM 2017).

Parents of Generation Z are later Boomers and Millennials and they are more flexible and bonded with their children. They know that their children's digital knowledge exceeds theirs. Therefore parent of Generation Z listen to their children's opinion and even ask for it. According to the survey conducted by IBM Generation Z spends 75% of their monthly incomes on clothes, applications and entertainments.

According to Snapchat, Generation Z representatives spend around 30 minutes a day and around 18 visits a day. Generation Z are very choosy about the brands and prefer eco-friendly ones. 55% of the surveyed also like brands who understand them as individuals, and they need to be creative if they want to capture Generation Z's attention, because their attention span is only 8 seconds (A. Salim 2017).

It is known that because of all these fast technologies and instantaneous access to information Millennials put premium on speed, efficiency and convenience in everything they do or pay someone to get it done. Nevertheless they are the generation of so-called "beta-testers" and still can be more tolerant to delays and glitches, whereas research claims that Generation Z's tolerance level is very low – if the page or an application takes too long to load 60% of the surveyed Generation Z representatives will not use it. It is claimed that they understand within 8 seconds whether they want to watch a video further or switch to the next one (IBM 2017, p. 2).

Another thing is that Generation Z is more focused on fulfilling their social, cognitive and aesthetic needs. They crave communication, because they have grown up being 24/7 connected online with their friends and family. Another important factor for Generation Z is stability. This generation seeks stability, tranquility and comfort.

From a very young age Generation Z pursue self-realization and self-actualization, achievement of success and social recognition. It is important for them to know that are a valuable part of society. Success for them in essence is self-actualization. Among the psychological characteristics of the generation Z, there is a tendency to be autonomous as to a different perception of the world. Representatives of generation Z are inclined to immersion in the world, restriction of dialogue with world around. This gives young people the ability to concentrate on specific tasks and focus on interesting topics (Z. Maletsin SS 2017).

Being born in the tech-fueled and highly networked world has given them an entrepreneurial spirit. Studies showed that 72% of teens want to have their own businesses in the future. Therefore, in order to succeed in this highly competitive world they realize the importance of knowledge and constant development of new skills to stay relevant in the marketplace. And if they can learn



something themselves through more efficient and unconventional ways they will grab this opportunity and study on their own. They are more self-reliant. All these factors have also resulted in Generation Z's willingness to go straight into the workforce and not follow a traditional route of higher education. Generation Z's key role models are their parents who are mainly younger Boomers and Millennials.

## **Chapter 2. Research Methodology**

### **2.1 Research design**

As the research on Generation Z is only starting the research in this thesis is exploratory in nature. Foreign findings on Generation Z are of general and limited character, and in Russia any evidence is barely known. So there are very few earlier studies to refer or rely on when predicting the outcome. Direct consumers' survey was chosen to answer the research questions. This research aims to explore and gain some insights about drivers that influence Generation Z's willingness to buy, and does not aim to give any definitive conclusions. There is a lot of room for further research of the topic and this research can provide some ideas on the possible directions to be explored more deeply.

Data for the study was collected through the Internet survey. Google form was used to create a self-administered questionnaire because the cost is low, anonymity contributes to higher response rates and the form can be completed by participants on their own. A survey was published in Russian language. To form a suitable sample size a convenience sampling method was selected. Communities in social networks were identified to be the most efficient channels for reaching this generation, so the link to the survey was shared in a number of various thematic communities such as sports, humor, celebrities, brands, literature, soap operas and so on.

The survey clearly asked the respondents to check their fit to the survey, that is if they were born in 1996 up to 2000 year included and were from Russia. The questionnaire indicated the expected time to be spent – around five minutes. Taking into account the collection of survey responses took around a week despite the fact it was distributed in a large number of communities, and had no motivation trigger, it can be inferred that only people interested in providing their opinion took part in the survey. Analysis of the responses also ensured their reliability as there were no “lazy” choices, all scales were reasonably and logically spread across the drivers and attitudes studied.

So as the name implies, the sample is chosen because it is a convenient and inexpensive way of getting an approximation of truth (StatPac 2017). So the survey was distributed among people that were close to hand, conveniently available and willing to participate. The drawback of this method is that it is less reliable compared to other methods of sampling, thus findings cannot be generalized (Powell 1997, p. 68; Krishnaswami & Satyaprasad 2010, p. 77).

### *Construct measurement and research reliability*

Likert's scale 6 points was selected to measure the attitudes of the respondents. Measures constituted the following values: 1-Strongly disagree, 2-Disagree, 3-Slightly disagree, 4-Slightly agree, 5-Agree, 6-Strongly Agree. Unlike Likert's scale 5 points, which has a neutral answer, 6 points Likert scale does not have this option and asks the respondents to either rather agree or rather disagree.

However, research was done that compared reliability of these two measures conducting three different types of survey, which included the attitudinal survey as well. The research found that Likert's scale 6 points gave higher reliability on 2 of the tests, including the attitudinal one, than the Likert's scale 5 points. Historical high reliability of the Likert's scale 5 points might have resulted from what is also considered its drawback (Kwok Kuen Tsang 2012, p. 123). That is it allows lazy answers or answers without thinking because it offers a middle or neutral choice, which respondents frequently choose thinking it wouldn't negatively affect data analysis.

Therefore in order to reduce the deviation it was recommended to use the Likert's scale 6 points (Rungson Chomeya 2010, p.401). Moreover increased scale sensitivity, that is increased number of scales, helps to avoid the midpoint answers. Adverb "slightly" was used apart from just "agree and disagree", because as Burns and Worcester (1975) found, adverbs also help respondents to avoid midpoint selection and not feel forced to completely agree or disagree (Kwok Kuen Tsang 2012, p. 126-127).

The information has to be consistent and true in order for it to be useful. As a measure of research validity construct validity was chosen. Chronbach's Alpha coefficient is used to measure internal consistency to determine the reliability of the research.

### *Scope of the research and limitations*

Research on Generation Z still cannot agree what is the exact time frame for this generation. As was discussed before, some tend to think Generation Z was born starting from 1990s, and some are more inclined to think that from 1996s on till yet undefined period. But since majority of the research (Vedomosti 2014, V. Prime 2016, Business Insider 2016) believes the year of birth of Generation Z to be from 1996s, which is also in line with the generational theory, research in this thesis analyzed people born between 1996 – 2000 years, as they've entered the university and majority are about to graduate and enter workforce, therefore spend their own money.

As any research this research is not without limitations. Despite the research gap in the study of Generation Z in Russia is significant, this research is unable to cover majority of the aspects due to scalability and comparability issues of the results. Rather each aspect, for example psychological characteristics, attitudes to technology, brand loyalty, Generation Z at the workplace, etc. are each separate topics for the research. Therefore this research has rather narrow focus of identifying what drivers influence consumers' willingness to purchase a product or service. Limitation of the research lies in the fact that the findings cannot be generalized due to the research design and sampling choices. The nature of the research is aimed at providing possible directions to explore choices behind each question more deeply in the future.

### *The questionnaire*

As existing literature on Generation Z is very limited the questionnaire was developed on the basis of literature review of the research done on Millennials with the aim to identify how Generation Z is different from them. Therefore it includes attitudes towards some drivers that according to majority of the research are most influential predictor of the purchase decisions (Big 3 & Big 4 company reports, Thomas G. Brashear et al. 2009, G. Ordun 2015). The questionnaire consists of 30 questions. 10 attributes were identified and each attribute asks 3 related questions in order to ensure construct validity. Gender, birth year and occupation questions were asked in the demographic section. Discussion of main drivers influencing consumer willingness to buy can be summarized as in Table 3, where research gap existing in the studies of Generation Z can be seen. So, the survey aims to fill these gaps.

Table 3 Drivers influencing consumer willingness to buy (1)

<b>Attributes</b>	<b>Millennials</b>	<b>Generation Z</b>
Price	Affordable	Affordable
Brand	Brand-hoppers	-
Trend	Seek social validation	-
Recommendation	Read online-reviews	Read online reviews
Advertisement	Responsive to creative/causal advertisement	-
Availability	Beta-testers, patient	-
Variety	Value diversity	-
Innovativeness	Tech-savvy	Digital-natives
Unique experience	Seek authentic & unique experience	-
Ethical	Socially-conscious	Socially-conscious

Therefore, it can be summarized that the existing research on Generation Z provides description of their personality rather than beliefs and attitudes towards particular things. The questionnaire aims to find whether their personalities are reflected in their attitudes to particular drivers influencing their decision to buy.

## **2.2 Data analysis**

The results of the survey were analyzed in SPSS Statistics. The data is ordinal and non-normally distributed; therefore the following analyses were conducted:

- Chronbach's Alpha was used to test the reliability of the scale or in other words internal consistency. Acceptable value in most researches is .70 or higher indicating acceptable level of internal consistency of the items studied. It means that scales measure what they should measure. Lower levels of the Chronbach's Alpha indicate that the test does not measure accurately the variables of interest. However the value of the alpha depends on the number of the variable. The more variables are measured the more likely the alpha will be acceptable and the other way round if the number of variables is small. Sometimes increasing the number of relevant items tested can increase the alpha (Birnbaum and Sheps 1991, p. 623).
- Frequency tables were used to analyze the number of time an observation occurs in the data set since its ordinal.
- Mann-Whitney U test, a non-parametric test, was used to compare two samples (year 1996 to year 2000) which come from the same population. It is used to tests whether the mean of these two samples are equal or not. The test assumes that data is non-normal and ordinal. It is usually applied when the assumptions for the t-test were not met. Results of the analysis however are a little bit difficult to interpret since they are displayed not as mean differences but group ranks. By applying this test the study answers the questions: Are there any difference between early Generation Z (1996) and later Generation Z (2000)?
- Spearman's rho correlation was run to identify if there is any association between the variables under the study. It is a non-parametric test that allows to measure linkaged between ordinal data. The values in the Spearman's rho range from -1 to +1. Value indicate the following degrees of association: .00-.19 "very weak"; .20-.39 "weak"; .40-.59 "moderate"; .60-.79 "strong"; .80-1.0 "very strong". If it is higher than the

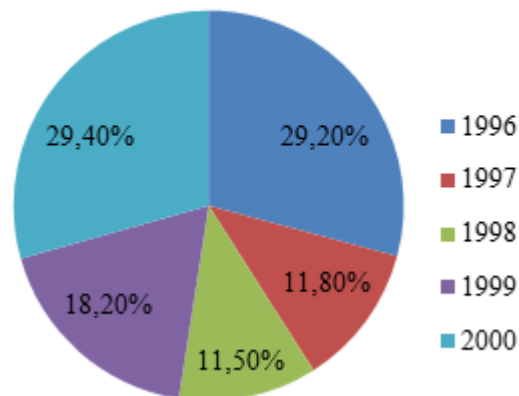
studied value it means the association has occurred by chance and it is not reliable to claim that there is strong association between particular variables (G. Kader 2008; Zh. Zhang 2008).

## Chapter 3. Consumer behavior of Generation Z in Russia

### 3.1 Findings

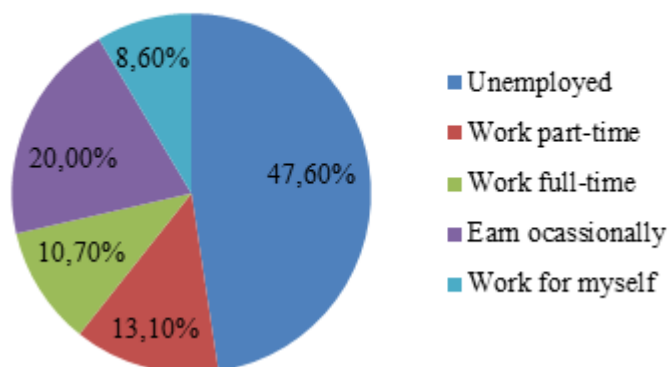
Total number of the respondents comprised 391 people. 65% were females and 35% were males. The distribution of age can be seen on the Figure 8. The number of early Generation Z (1996) and later Generation Z (2000) was roughly equal therefore relevant for conducting inter group comparison in order to identify possible differences from each other.

**Figure 8 Year of Birth**



Among these respondents majority were unemployed (47%), but there also was a working population, namely: full-time employed (10%), part-time employed (13%), those earning on occasional basis (20%) and working for themselves (8%). So nonetheless distribution among unemployed people and total number of earning money is roughly around 50-50. This finding is in line with the previous research (KPMG 2017; Deloitte 2017) suggesting Generation Z are more entrepreneurial, they will start earning money at a young age and even go straight to the workforce skipping the traditional path of obtaining the higher education.

**Figure 9 Work status**



The test of Chronbach's Alpha resulted in the value of .888 meaning items have high internal consistency and the result is acceptable to proceed with further analysis.

Table 4 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,888	,887	30

From the frequency distribution table it can be seen that there are some lowest and highest values of median for particular drivers influencing consumer's willingness to buy. So majority of the respondents indicate that factors such as Price, Variety, Innovativeness and Ethical stance of the company strongly influence their willingness to buy, whereas Trend and Advertisement are not among their important considerations.

Table 5 Frequency distribution statistics

	Price	Trend	Brand	Recommendations	Advertisement	Availability	Variety	Innovativeness	Unique Exper.	Ethical
N Valid	391	391	391	391	391	391	391	391	391	391
Missing	0	0	0	0	0	0	0	0	0	0
Median	5,000	3,000	4,000	4,000	3,000	4,000	5,000	5,000	4,000	5,000

Frequency distribution of attitudinal questions allow seeing construct validity was ensured: drivers ranked the least have the least medians in related attitudinal questions and vice versa is true for the drivers that have high value of mean as well (Table 6).

Table 6 Attitudinal frequency distribution statistics (1)

	If high price is justified by high quality I am willing to buy	I prefer cheaper price even if quality is not guaranteed	I am more willing to buy what is considered cool in my society	If everybody around has some product I also want it	I am willing to buy well-recognized brands in my society	I prefer to be loyal to brands I am already purchasing from
N Valid	391	391	391	391	391	391
Missing	0	0	0	0	0	0
Median	5,000	3,000	2,000	3,000	4,000	4,000



The results imply that the number of “lazy” answers was minimized and respondents took their times to carefully answer the questionnaire. For example as Trend and Advertisement were ranked the lowest, respondents indicated that their willingness to buy is not influenced by social validations and not even by endorsements of their favorite celebrities

Table 7 Attitudinal frequency distribution statistics (2)

		I am more willing to buy if by my friends recommendations	If I didn't find online reviews I am less willing to buy	Advertisement influences my decision to buy	I am more willing to buy what is endorsed by my favorite celebrities	I am more willing to buy if the product is readily available	I am going to look for another product if the waiting time is long
N	Valid	391	391	391	391	391	391
	Missing	0	0	0	0	0	0
Median		4,000	4,000	3,000	2,000	5,000	4,000

As Ethical stance of the company was among the highest ranked drivers influencing consumers' willingness to buy, majority of the respondents indicated their willingness to buy from socially responsible company and if they find out the company is unethical they will stop being its customers. Interesting thing to note however, is that despite Innovativeness positively influences respondents' willingness to buy, they are reluctant to be among the first adopter of new technologies and innovations. In this regard Generation Z displays risk-aversion.

Table 8 Attitudinal frequency distribution statistics (3)

		Willing to buy if I have wide variety to choose from	Going to look for another good if there is limitation	Willing to buy if it is an innovation in its kind	Prefer to be among the first adopters of new innovative products	Willing to buy if it is authentic experience	Willing to buy if it makes me feel special	Willing to buy from socially responsible company	If I find out the company is not ethical I will stop buying from
N	Valid	391	391	391	391	391	391	391	391
	Missing	0	0	0	0	0	0	0	0
Median		4,000	4,000	4,000	3,000	4,000	4,000	5,000	4,000

There was an assumption that early Generation Z, born in 1996, and those who were born later, namely in 2000 might consider various drivers influencing willingness to buy to have different level of impact on them. It was assumed that there should be some transitional period between generations and they cannot sharply differ from each other right with the start of the new generation. In order to see if there are significant difference Mann-Whitney U test was conducted.

From the summarized results in Table 6 it can be seen that both group's willingness to buy is influenced by factors like Recommendations, Unique experience and Ethical stance of the company. When it comes to the differences, Later Generation Z cares about fair and justifiable price, availability of the product and its innovativeness more compared to the later Generation Z. They are also less interested in Trend, Brand, Advertisement and Variety of the product or service, whereas for later Generation Z they are influential factor when making a purchase decision. Mean ranks across other years were considerably different however there is a comparability issue due to the significantly uneven size of the samples, therefore no reliable inference can be made.

Table 9 Mann-Whitney U test

	Year of Birth	N	Mean Rank	Sum of Ranks
Price	1996,0	114	121,68	13871,00
	2000,0	115	108,38	12464,00
	Total	229		
Trend	1996,0	114	100,76	11487,00
	2000,0	115	129,11	14848,00
	Total	229		
Brand	1996,0	114	108,54	12374,00
	2000,0	115	121,40	13961,00
	Total	229		
Recommendations	1996,0	114	114,57	13061,00
	2000,0	115	115,43	13274,00
	Total	229		
Advertisement	1996,0	114	108,23	12338,50
	2000,0	115	121,71	13996,50
	Total	229		
Availability	1996,0	114	123,30	14056,00
	2000,0	115	106,77	12279,00
	Total	229		
Variety	1996,0	114	104,89	11958,00

	2000,0	115	125,02	14377,00
	Total	229		
	1996,0	114	127,53	14538,50
Innovativeness	2000,0	115	102,58	11796,50
	Total	229		
	1996,0	114	115,28	13142,00
Unique Experience	2000,0	115	114,72	13193,00
	Total	229		
	1996,0	114	112,35	12808,00
Ethical	2000,0	115	117,63	13527,00
	Total	229		

Test Statistics<sup>a</sup>

	Price	Trend	Brand	Recommendations	Advertisement	Availability	Variety	Innovativeness	Unique Experience	Ethical
Mann-Whitney U	5794,000	4932,000	5819,000	6506,000	5783,500	5609,000	5403,000	5126,500	6523,000	6253,000
Wilcoxon W	12464,000	11487,000	12374,000	13061,000	12338,500	12279,000	11958,000	11796,500	13193,000	12808,000
Z	-1,602	-3,315	-1,526	-,102	-1,576	-1,943	-2,368	-2,959	-,065	-,622
Asymp. Sig. (2-tailed)	,109	,001	,127	,919	,115	,052	,018	,003	,948	,534

a. Grouping Variable: Year\_of\_Birth

From the summary of attitudinal questions some things can be highlighted (Table 10). People born in 1996 are less tolerant to waiting for a product or service to be provided. They indicated that if their initial request requires a waiting time most probably they will look for another product, whereas people born in 2000 are more inclined to wait for what they want.

Another interesting thing is that people born in year 1996 are not willing to stay with the same brands they are currently buying from, whereas people born in year 2000 prefer to be loyal to the brands they know. In this regard people born in 1996 take after Millennials who are known to be the least loyal generation and “brand-hoppers” (KPMG 2017). People born in 1996 showed interest in purchasing a product if it was an innovation in its kind, whereas people born in 2000 were less inclined to agree. One assumption can be that today literally every product uses the word “innovation” even without really getting into its essence, and today’s youth is so bombarded with new gadgets that over time they will become less and less interested in innovations.

Finally from ethical stance of the business, people born in 1996 showed less interest in changing the company if they found out it was unethical, whereas those born in 2000 indicated they would stop buying from such company. All in all, it can be concluded that the youth born in 1996 and youth born in 2000 are not that dramatically different in their attitudes, however couple of consumer behavior traits demonstrated by early Generation Z take after the Millennials.

Table 10 Attitudinal Rank

	Year of Birth	N	Mean Rank	Sum of Ranks
If high price is justified by high quality I am willing to buy	1996,0	114	124,35	14176,00
	2000,0	115	105,73	12159,00
I prefer cheaper price even if quality is not guaranteed	1996,0	114	106,73	12167,50
	2000,0	115	123,20	14167,50
I am more willing to buy what is considered cool in my society	1996,0	114	102,39	11673,00
	2000,0	115	127,50	14662,00
If everybody around has some product I also want it	1996,0	114	101,12	11528,00
	2000,0	115	128,76	14807,00
I am willing to buy well-recognized brands in my society	1996,0	114	107,98	12310,00
	2000,0	115	121,96	14025,00
I prefer to be loyal to brands I am already purchasing from	1996,0	114	112,76	12854,50
	2000,0	115	117,22	13480,50
I am more willing to buy if by my friends recommendations	1996,0	114	122,93	14013,50
	2000,0	115	107,14	12321,50
If I didn't find online reviews I am less willing to buy	1996,0	114	109,64	12499,00
	2000,0	115	120,31	13836,00
Advertisement influences my decision to buy	1996,0	114	115,33	13148,00
	2000,0	115	114,67	13187,00
I am more willing to buy what is endorsed by my favorite celebrities	1996,0	114	103,96	11852,00
	2000,0	115	125,94	14483,00
I am more willing to buy if the product is readily available	1996,0	114	122,75	13993,00
	2000,0	115	107,32	12342,00
I am going to look for another product if the waiting time is lo	1996,0	114	125,23	14276,50
	2000,0	115	104,86	12058,50
I am more willing to buy if I have wide variety to choose from	1996,0	114	104,32	11892,00
	2000,0	115	125,59	14443,00
I am going to look for another product if there are limitations	1996,0	114	114,34	13035,00
	2000,0	115	115,65	13300,00
I am more willing to buy if it is an innovation in its kind	1996,0	114	127,80	14569,00
	2000,0	115	102,31	11766,00
I prefer to be among the first adopters of new innovative products	1996,0	114	110,40	12586,00
	2000,0	115	119,56	13749,00
I am willing to buy if it is unique and authentic experience	1996,0	114	115,78	13199,00
	2000,0	115	114,23	13136,00

I am more willing to buy if it makes me	1996,0	114	113,53	12942,00
feel special/unique	2000,0	115	116,46	13393,00
I am more willing to buy from socially	1996,0	114	109,28	12457,50
responsible company	2000,0	115	120,67	13877,50
If I find out the company is not ethical I	1996,0	114	104,89	11957,00
will stop buying from	2000,0	115	125,03	14378,00

Spearman's Rho correlation analysis found the following associations between the variables:

- Weak association between: Price – Innovativeness, Trend – Recommendation, Trend – Variety, Trend – Innovativeness, Trend – Unique experience, Brand – Recommendation, Brand – Advertisement, Brand – Variety, Brand – Unique experience, Recommendation – Variety, Recommendation – innovativeness, Advertisement – Innovativeness, Advertisement – Unique experience, Advertisement – Ethics, Availability – Unique experience, Availability Innovations, Variety – Innovation, and Unique experience – Ethics.
- Moderate association between: Trend – Brand, Trend – Advertisement, Advertisement – Variety, and Innovativeness – Unique experience.

Strong and very strong positive as well as negative associations were not observed among the variables, which is not necessarily a bad thing, because if otherwise was true strong linkage would imply that variables are measuring the same construct. The findings imply that there is some association between the studied variable and they measure different constructs, which are not completely the same.

Table 11 Correlations by Spearman's Rho

		Price	Trend	Brand	Rec.	Advert	Avail.	Var.	Innov.	Uniq. Exp.	Ethical
Price	Corr. Coefficient	1,000	-,110*	-,010	,067	-,069	,165**	,004	,233**	,065	,149**
	Sig. (2-tailed)	.	,029	,837	,184	,175	,001	,938	,000	,198	,003
	N	391	391	391	391	391	391	391	391	391	391
Trend	Corr. Coefficient	-,110*	1,000	,581**	,260**	,552**	,044	,370**	,219**	,322**	,158**
	Sig. (2-tailed)	,029	.	,000	,000	,000	,387	,000	,000	,000	,002
	N	391	391	391	391	391	391	391	391	391	391
Brand	Corr. Coefficient	-,010	,581**	1,000	,271**	,381**	,115*	,272**	,324**	,383**	,173**
	Sig. (2-tailed)	,837	,000	.	,000	,000	,023	,000	,000	,000	,001
	N	391	391	391	391	391	391	391	391	391	391
Recom	Corr. Coefficient	,067	,260**	,271**	1,000	,315**	,146**	,299**	,283**	,152**	,105*

mendati ons	Sig. (2-tailed) N	,184 391	,000 391	,000 391	. 391	,000 391	,004 391	,000 391	,000 391	,003 391	,038 391
Advertis ement	Corr. Coefficient Sig. (2-tailed) N	-,069 ,175 391	,552** ,000 391	,381** ,000 391	,315** ,000 391	1,000 ,000 391	,196** ,000 391	,408** ,000 391	,231** ,000 391	,248** ,000 391	,212** ,000 391
Availabi lity	Corr. Coefficient Sig. (2-tailed) N	,165** ,001 391	,044 ,387 391	,115* ,023 391	,146** ,004 391	,196** ,000 391	1,000 ,001 391	,169** ,001 391	,311** ,000 391	,213** ,000 391	,170** ,001 391
Variety	Corr. Coefficient Sig. (2-tailed) N	,004 ,938 391	,370** ,000 391	,272** ,000 391	,299** ,000 391	,408** ,000 391	,169** ,001 391	1,000 ,000 391	,276** ,000 391	,095 ,061 391	,227** ,000 391
Innovati veness	Corr. Coefficient Sig. (2-tailed) N	,233** ,000 391	,219** ,000 391	,324** ,000 391	,283** ,000 391	,231** ,000 391	,311** ,000 391	,276** ,000 391	1,000 ,000 391	,429** ,000 391	,325** ,000 391
Unique Experie nce	Corr. Coefficient Sig. (2-tailed) N	,065 ,198 391	,322** ,000 391	,383** ,000 391	,152** ,003 391	,248** ,000 391	,213** ,000 391	,095 ,061 391	,429** ,000 391	1,000 ,000 391	,303** ,000 391
Ethical	Corr. Coefficient Sig. (2-tailed) N	,149** ,003 391	,158** ,002 391	,173** ,001 391	,105* ,038 391	,212** ,000 391	,170** ,001 391	,227** ,000 391	,325** ,000 391	,303** ,000 391	1,000 ,000 391

### 3.2 Discussion

Having grown up with all the necessary information at their fingertips and less controlling relationships of their parents has made Generation Z to be more self-reliant and concentrated on themselves. This can explain the disinterest in Trends and irresponsiveness to Advertisements revealed by the results of the analysis. This however rejects what Maletsin (2017) claimed in his paper. He suggested that Generation Z like to spend their money on branded and fashionable goods, corresponding to their image and lifestyle. Nonetheless, supporting Maletsin's other discussion that from a very young age this generation is more independent, less manipulatable and has a high sense of self-respect. Related two questions about each of these drivers also acknowledge their low influence on Generation Z's willingness to buy. As Trend is not an influential driver in their purchase decision, they do not feel the desire to buy something everybody around them has or follow some trends.

They also disagree that advertisement can influences their decisions and they are not even willing to buy what is endorsed by their favorite celebrities. Because Generation Z is well-educated: they are bombarded with thousands of messages and advertising campaigns every day and know all

the tricks marketers use to lure customers into buying some product or service. Likewise Brand name will also not convince them to purchase a product or service, whereas Millennials liked to interact with brands and buy brands endorsed by celebrities (MarketLine 2017). Maletsin (2017) also discusses that Generation Z is knowledgeable and experienced consumers and are skeptical about advertising and marketing. They actively use the Internet resources, social networks to find the necessary information, compare the products of different manufacturers, find out the responses about competitors in real time. They are always looking for the best deals on the market. It is going to be challenging to earn Generation Z's attention and loyalty. However, once the goal is achieved, they prefer to be loyal customers, whereas Millennials were known as brand-hoppers.

It is no surprise that Innovativeness had one of the highest medians indicating to have considerable influence on Generation Z's willingness to buy, which is not that surprising since we are dealing with the generation of digital-natives. They are more willing to buy a product if it is an innovation in its kind. They prefer to look for unique and most modern technologies (Maletsin 2017). The companies therefore can rethink their processes to provide innovative solutions for this generation. It can be an innovative packaging, design, application, process, etc.

However, as they grew up in turbulent times, witnessed rise and fall of many industry-leader companies, launch of numerous innovations and technologies, they are somewhat indecisive when it comes to adoption of a new innovation. As the survey results show, despite they are willing to purchase an innovation, they do not want to be among the first ones to have it. And this is another challenge for marketers. They will have to think carefully how they can cross this chasm between innovation and its adoption (J. A. Moore 2014).

Another driver that had a high median is Variety. They appreciate when there is a wide variety of choice and they are more willing to buy in this case. It can be assumed they are individualistic and one-size-fits all will not work for them. Whereas Millennials like to be a part of some trendy movement and they are known for seeking social validation in many things they do. Generation Z believes everybody is different and to highlight their individuality they need products and services specifically tailored for them, in other words, offering a lot of various choices. Interestingly, however, if there are limitations in choice, for example color, design, size, etc. they disagree that they will look for something else.

It can be assumed that because of their impatient nature they are less willing to look for another product. If Millennials were so-called "beta-testers" of new technologies and innovations, Generation Z is not as patient as Millennials. (Nicolle Monico 2016). Design, quality, atmosphere,

speed of service are appreciated. It is important to note that this impatience can come from the peculiarities of initial socialization discussed earlier. They require immediate satisfaction of their needs, instant service (Maletsin 2017). So Availability, that is when a product or service does not require waiting time, also ranked high among the factors influencing Generation Z's willingness to buy. They appreciate when the product is readily available and will more likely buy it and if it is not in store and requires waiting time, they are more likely look for another product which is available. This finding also supports IBM's claim that Generation Z has very little patience for and become quickly frustrated by glitches, unresponsive or prone to errors technology. Because of their superior knowledge about the technology they care about quality, value and product availability the most when making a purchase decision.

The prospects of reaching Generation Z are not so gloomy after all. Marketers have a promising escape in the form of Recommendations which also ranked high as an influencer on willingness to purchase. They listen to people who had first-hand experience with the product or service and that can be friends, family, peers and so on. They are more willing to buy by friends' recommendations. In support of previous research it was found that they rely on online-reviews before buying something and they are well-informed in general.

So having the Internet in their pockets they grew up being more self-reliant. Before buying a product they access peer-reviews, ratings and product specification information, which makes them empowered smart shoppers. Despite they are claimed to be online generation they still spend significant amount of their time with their friends and family. They were raised by parents who went through the financial crisis and they have learned the value of money and are more wise spenders. So they think what value can be obtained with their money rather than just how to spend it (IBM 2017). So Price driver also ranked one of the highest. Generation Z do not want to pay the price twice because they opted for a cheaper product. They are ready to pay high price as long as it is justified by high quality.

Another finding that reinforces Generation Z's individualistic nature and them being more self-centered, is that they do not want to follow trends, respondents consistently agreed that they would rather look for unique experience. They appreciate authenticity that is honest and open communication with brands and their genuine intentions (IBM 2017). They seek something unconventional, uncommon. Unique experience can happen at any stage of the value delivery process. Customers can feel special by participating in the design process, unique pre-launch events, during the utilization of the product through customer service for example and so on. Companies



have to consider how they approach Generation Z and think how they can provide them with some sort of unique experience.

Finally, just like Millennials, this generation has also shown social-awareness. Majority of the respondents indicated that ethical stance of the company influences their willingness to buy. They are more willing to buy from the company that is socially responsible and its actions do not pollute the environment. And if they discover that the company is not ethical, i.e. its actions are harmful for the environment and people, its products are tested on the animals, employees are treated badly and so on, majority of the respondents indicated they would stop buying from such company. In this regard the traditional role of marketing is changing to include a broader set of stakeholders to whom it should be accountable to (C.B. Bhattacharya 2008, p. 113).

#### *Suggestions for further research*

Further research can focus on how brands can communicate with Generation Z in order to earn their loyalty, as the current analysis revealed that their purchase decision is not influenced by a brand name. However, once a brand earns their attention and trust, Generation Z will be loyal to them. So the research can deep dive into the brand topic and address values of this Generation with the aim of revealing what they value in brands.

Another big area for the research can be the topic of innovation adoption among Generation Z: what are the strategies, tactics to ensure the adoption. Since they are less risk-averse the research has to question whether strategies used for Millennials will work for Generation Z or not.

Spearman's Rho correlation analysis found a number of associations between the variables. However discussing those of moderate association are more valuable to the research. These associations raise a number of questions which can be a subject for the future research. Based on the associations the following questions can be asked:

- Is trendiness of a product directly related to the brand name? How can a brand set a trend for this Generation, taking into account they do not seek social validation?
- Does advertisement help increase the trendiness and popularity of the product/service? And how to create "viral" advertisements that can set a trend?
- Are innovative products associated with unique experience? How to provide authentic (unique) experience with the help of the innovative products?

However, apparently our values do not stay the same through our lifetime. People grow, go through various experiences whereby their values are shaped or reshaped and it is a normal process of life, of maturing and growing up. For example, important thing to note is that Millennials who are parent displayed more loyalty and stability and surprisingly had more traditional goals like work/life balance, owning a house and a car, finding a partner for life, having financial security and so on. Therefore current studies on Generation Z should not take their characteristics and values for granted. It is a continuous process that needs to be monitored if companies want to keep pace with the changing needs in the marketplace and stay on the board of their industry (KPMG 2017).

## **Conclusion**

The research had started with defining consumer behavior and factors influencing it. It was identified that there are external and internal factors that affect consumer behavior. And among them the role of social factors, namely peers, reference groups play considerable role. This fact was also reinforced by the findings of the research, as Recommendations ranked to be one of the strongest factors influencing consumers' willingness to buy.

Apart from that it was determined that consumer behavior is a risk by itself as it involves choices consequences of which are unknown. The role of risk in consumer behavior plays another significant part. The research found Generation Z to be reluctant to be among the first adopters of new technologies and innovations. However, whether it is due to perceived risk or the new consumer characteristic itself is a discussion for the future research. Under the risk conditions consumer behavior changes, and usually not positively because risk is perceived as something negative. So individuals try to reduce the perceived risk to avoid potential negative consequences and companies have to help them in doing so as well.

The research proceeded with defining the disciplinary status of the consumer behavior. The evolution of consumer behavior and its interplay with other disciplines was briefly described. The evolution discourse was concluded with providing a linkage between consumer behavior and Marketing discipline, where Consumer Behavior was defined to have played a crucial role. The interlinked evolution of both disciplines was discussed and the current status and areas of research of both disciplines were identified.

It was concluded that today Marketing is at the stage of studying behaviors of individuals where Consumer Behavior plays a central role. Relatively new and popular direction is studying consumer behavior of generations, or in other words so called generational marketing. It was identified that generation of Millennials are the most extensively studied generation and the research should move on to investigating consumer behavior of the next generation as they have already reached the employable age and will soon replace Millennials and become the next biggest spending generation.

After summarizing consumer portrait of Millennials, existing research about Generation Z was summarized as well and research gaps were identified. On the basis of the literature review 10 drivers were determined to have the biggest influence on consumer willingness to buy. Self-administered questionnaire was conducted among representatives of Generation Z in order to measure these constructs. After the results were obtained and analyzed, the table with research gaps

discussed in the research design part can be summarized again, but now with the filled gaps (Table 12).

Table 12 Drivers influencing consumer willingness to buy (2)

<b>Attributes</b>	<b>Millennials</b>	<b>Generation Z</b>
Price	Prefer cheaper price	Ready to pay high price justified by high quality
Brand	Brand-hoppers	Prefer to be loyal
Trend	Seek social validation	Individualistic, do not care about trends
Recommendation	Read online-reviews	Read online reviews, listen to friends
Advertisement	Responsive to creative/causal advertisement, celebrity endorsements	Not responsive to the advertisement and celebrity endorsements
Availability	Beta-testers, patient	Impatient, demand availability
Variety	Value diversity, but follow majority	Value diversity, individualistic approach
Innovativeness	Tech-savvy	Digital-natives
Unique experience	Seek authentic & unique experience	Value authentic approach that makes them feel special
Ethical	Socially-conscious	Socially-conscious

The research has identified what drivers have the strongest influence on Generation Z's willingness to buy and what are their attitudes towards this factor related things. Factors having the least influence on the willingness to buy were also obvious from the research findings, which provide a practical implication of designing marketing campaigns more effectively and not waste money on inefficient marketing channels. Associations between variables were also identified and direction for the future research was suggested.

Finally, from the comparison of early and late Generation Z it can be concluded that the differences are not dramatic except for couple of points, where early Generation Z (1996) takes more after the Millennials. In general, however, both groups have demonstrated largely the same characteristics and indicated the same drivers as playing the most influential role in their purchase decisions. The finding reinforces the opinions of the researches to define the time frame of Generation Z in Russia to start from year 1996.

When it comes to the differences among global Generation Z and Russian Generation Z the research identified two points where divergence has occurred: Trend and Advertisement. Global research suggests that Generation Z is responsive celebrity endorsements and that as their predecessors love following trends and seek for social validation. Whereas Generation Z in Russia

indicated that even their favorite celebrities' endorsements do not influence their willingness to buy. Likewise, Trend and two trend related questions received largely negative responses indicating trendiness of a product or service does not influence their willingness to buy in any way. For the better part, however, Generation Z in Russia has demonstrated similar consumer behavior as their counterparts around the globe. This raises an important question for consideration and possibly future research: whether the next generation will be truly global one.

Current study was exploratory in nature aimed at identifying associations between variables and the extent of their influence. Discussions of the obtained results was followed by recommendations for further research as assumptions presented in the current study cannot be conclusive due to the nature of the research and its limitations.

So, increasing complexities that arise from vast amounts of information, disruptive technologies, proliferation of media, channel creates a large gap between these accelerating complexities of the market and companies' limited ability to respond to new thinking about the marketplace and the needs of its actors. The crucial role of consumer behavior, which involves the act of buying anything from expensive luxurious products to a simple pen, cannot be ignored by the businesses. Many acts of purchasing are performed during the day and every day by almost every individual of the society.

In today's world companies need to implement the new way of thinking - "outside-in" as opposed to "inside-out". As Jeff Bozos called it - "working backward" mentality. Rather than thinking from the company and product perspective, businesses need to think from the customers' perspective and ask who they are and what they need.

As KPMG's report has highlighted, it is very dangerous to fall into a false sense of security and think Generation Z's consumer behavior is not shaped yet and they are still growing up. They are the next big influencers of tomorrow and companies need to be forward-looking. Companies that do not plan ahead and take actions to understand and embrace Generation Z's consumer characteristics will fail to develop well-targeted and appealing products and services. Paying attention to Generation Z today means gaining insights into tomorrow's opportunities and getting ahead of competitors in capturing a large share of their wallets.

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## **Appendix**

### Questionnaire: Consumer Behavior of Generation Z in Russia

#### Part I.

1. Price (fair and justifiable price)
2. Trend (popular or perceived as “cool” by social media)
3. Brand (a well-known and widely recognized brand name)
4. Recommendation (referral by peers, online-reviews)
5. Advertisement (promotions and publicity around a product)
6. Availability (quantity and scope of stores and not requiring to wait for a good to appear there)
7. Variety (differentiated categories of a product)
8. Innovativeness (new or different from other products)
9. Unique experience (connecting at emotional level and leaving you with nice feeling like feeling special)
10. Ethical (a product which is produced without using any raw materials, process, people, animals, etc. unethically)

#### Part II.

11. If high price is justifiable by high quality I am willing to buy a product
12. I would rather prefer cheaper price for a product even if the quality is not guaranteed
13. I am more likely to buy a product if it's trending around and perceived as cool
14. If everybody around is using a product I am also willing to buy it
15. I am more likely to buy a brand that is well-recognized in my community
16. I prefer to stay with (be loyal to) the same well-known brands
17. I am more likely to buy a product if my friends have recommended it to me
18. If I don't find online-reviews for a product I am less likely to buy it
19. I am influenced by the advertising campaigns going around a product
20. I am more likely to buy a product that is endorsed by my favorite celebrities
21. I am more likely to buy a product if it's an innovation in its kind (e.g. innovative packaging/design/processes, etc.)
22. I prefer to be among first adopters of an innovative product
23. I am willing to spend money on unique and authentic experiences (that leave you with a lot of positive emotions and memories)
24. I am willing to buy a product using which makes me feel special

- 25. I am more willing to buy a product if it's readily available in the (online) store
- 26. I will look for another product if my initial order requires waiting time
- 27. I am more likely to buy a product if I can choose from a wide range of varieties
- 28. If there are limited options (e.g. color, size, design, etc.) I am more likely to look for another product
- 29. I am more likely to buy from a socially responsible company/brand (producing goods in a way that is not harmful for the society and the environment)
- 30. If I find out my favorite brand is unethical (produced using very damaging processes for the environment, tested on animals, exploits people) I will stop buying it

Part III.

- 31. Year of birth: 1996, 1997, 1998, 1999, 2000
- 32. Gender: Male, Female
- 33. Occupation: Work full-time, Work part-time; Earn on occasional basis (project work); Work for myself; Unemployed